

Message Text

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ACTION CU-06

INFO OCT-01 NEA-10 ISO-00 USIA-15 PRS-01 SS-15 /048 W
-----011985 010532Z /16

P 311720Z AUG 77
FM AMEMBASSY CAIRO
TO SECSTATE WASHDC PRIORITY 8931

UNCLAS SECTION 1 OF 2 CAIRO 14516

FOR CU NEA BERG

EO 11652: NA
TAGS: OEXC, MIND, EG, US
BUSJ: BRADLEY INTERVIEW WITH SADAT

REF CAIRO 12516, CAIRO 14068,

FOLLOWING IS PARTIAL TEXT OF SADAT'S ANSWERS TO BRADLEY'S
QUESTIONS, SUBMITTED EARLIER IN WRITING TO PRESIDENTIAL PRESS
SEC SAAD ZAGHLU NASSAR. EMBASSY HAS JUST RECEIVED THIS FROM
FONMIN. REQUEST IT BE PASSED TO BRADLEY. MFA SAYS LAST PORTION
STILL BEING TYPED, READY SEPT 1. WE OFFERED TAKE SOME IN
HANDWRITTEN FORM, BUT MFA DECLINED. (BEGIN TEXT)
ANSWER TO QUESTION 1. CERTAINLY, IT IS A MANNER OF GREAT IM-
PORTANCE TO ME AND THE ENTIRE EGYPTIAN PEOPLE TO INTENSIFY
AND ACCELERATE COOPERATION BETWEEN OUR COUNTRY AND OTHER NATIONS
IN THE AREA OF ECONOMIC AND TECHNOLOGICAL DEVELOPMENT. IT
HAS BECOME QUITE EVIDENT THAT WE LIVE IN THE AGE OF INTER-
DEPENDENCE AND MUTUALITY. THERE IS AN EVERY INCREASING UNIV-
ERSAL FEELING THAT ALL MEN HAVE THE SAME DESTINY AND, HENCE
SHOULD PULL THEIR RESOURCES TOGETHER TO ENCOUNTER THE
TREMENDOUS CHALLENGES OF THE PRESENT AND THE FUTURE ALIKE.
NO NATION, HOWEVER, POWERFUL, CAN LIVE IN ISOLATION OR REMAIN
UNAFFECTED BY THE TURN OF EVENTS IN OTHER PARTS OF THE GLOBE.
WE, IN EGYPT, HAVE MORE REASON TO ADOPT A POLICY OF INCREASED
COOPERATION AND MUTUAL BENEFIT WITH OTHER NATIONS, BOTH ON
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ACCOUNT OF THE MAGNITUDE OF THE PROBLEMS WE FACE TODAY AND
THE STAGE OF SOCIO-ECONOMIC DEVELOPMENT WE ARE GOING THROUGH.
WHEN I ASSUMED THE AWESOME RESPONSIBILITIES OF MY OFFICE,
I DECIDED THAT EGYPT HAD NO CHOICE BUT TO TURN TO A POLICY
OF OPEN DOOR AND LIBERALIZATION. OUR UNIQUE GEOGRAPHIC
POSITION IN THE HEART OF THE ARAB WORLD AND AS THE POINT THAT
LINKS THREE CONTINENTS TOGETHER CULTURALLY AND ECONOMICALLY

MAKES IT INCUMBENT UPON US TO PLAY A PIVOTAL ROLE IN INTENSIFYING COOPERATION AMONG NATIONS.

IN PARTICULAR, WE ARE GENUINELY INTERESTED IN INCREASING COOPERATION WITH THE AMERICAN PEOPLE, WE CAN, IN MY OPINION, CREATE A HEALTHY PARTNERSHIP THAT WOULD BE EQUALLY BENEFICIAL TO BOTH OF US. WE WELCOME AMERICAN INVESTMENT IN EGYPT AND WE ARE DOING ALL WE CAN TO REASSURE INVESTORS THAT THEY ARE NOT TAKING ANY RISK BY INVESTING THEIR MONEY IN EGYPT. WE REMAIN OPEN MINDED AND WILLING TO LISTEN TO ANY OBSERVATIONS OR SUGGESTIONS THEY MIGHT HAVE.

ACCORDING TO OUR DEVELOPMENT PLAN, WE ASPIRE TO REACH THE FOLLOWING GOALS IN THE NEXT THREE YEARS:

A-ATTAINING A RATE OF GROWTH BETWEEN SEVEN AND TEN PERCENT

B-DECREASING THE BALANCE OF PAYMENT DEFICIT

C-ACCELERATING SAVING AND INCREASING IT TO BECOME 15 PERCENT OF THE NATIONAL INCOME BY THE YEAR 1980

D-INCREASING THE VOLUME OF INVESTMENT TO BECOME 25 PERCENT OF THE NATIONAL INCOME IN 1980

E-EXPANDING OUR COMPREHENSIVE PROGRAM OF DESERT DEVELOPMENT WITH A VIEW TO INCREASE THE SIZE OF CULTIVATED LAND IN EGYPT, WHICH STANDS NOW AT A POOR 3 PERCENT OF OUR TERRITORY.

F-RE-ORIENTING OUR INDUSTRIAL PRODUCTION TOWARDS EXPORTATION PRIMARILY.

G-RE-CONSTRUCTING OUR ENTIRE INFRASTRUCTURE WHICH HAS BEEN DETERIORATING FOR THE PAST 20 YEARS.

ANSWER TO QUESTION 2: WE PROMULGATED LAW 43 IN 1974 TO STIM-
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ULATE FOREIGN INVESTMENT WHICH IS A CORNERSTONE IN OUR DRIVE TO REJUVENATE OUR ECONOMY AND INFUSE BLOOD IN OUR SYSTEM OF PRODUCTION AND SERVICES. TO ATTRACT FOREIGN CAPITAL, WE INSERTED IN THAT LAW MANY PROVISIONS TO ENSURE INVESTORS AGAINST NATIONALIZATION, CONFISCATION AND EXPROPRIATION. WE GRANTED THEM A TAX EXEMPTION FOR FIVE YEARS, A PERIOD WE THOUGHT WAS ENOUGH TO PUT THE PROJECT IN SHAPE.

THIS YEAR, LAW 43 WAS AMENDED BY LAW 132 PRIMARILY TO EXTEND THE PRIVILEGES AND EXEMPTIONS ENJOYED TO FOREIGN INVESTMENT TO DOMESTIC INVESTMENT. NATIONALLY OWNED ENTERPRISES WERE AUTHORIZED TO MAINTAIN IN EGYPT A BANK ACCOUNT IN FOREIGN CURRENCY TO FINANCE THEIR IMPORTS OF COMMODITIES AND EQUIPMENT. AS TO THE TYPE OF INVESTMENT WE ARE SEEKING, ANY PROJECT WOULD MEET OUR NEED AND REQUIREMENT OF IT:

A-FITS WITHIN THE FRAMEWORK OF OUR DEVELOPMENT PLAN. IT IS EASY TO VERIFY THIS AS OUR PLAN IS PUBLISHED AND AVAILABLE ON DEMAND.

B-CONTRIBUTES TO OUR GOAL OF INCREASING OUR INDUSTRIAL OUTPUT.

THUS, THE PROJECT MUST BE OF A PRODUCTIVE NATURE.

C-PRIORITY IS GIVEN TO PROJECTS WHICH HELP US DEVELOP OUR TECHNOLOGY AND KNOW HOW.

D-PRIORITY IS ALSO GRANTED TO THOSE PROJECTS WHICH INCREASE

OUR EXPORTS.

E-WE ENCOURAGE, IN PARTICULAR, JOINT VENTURES THAT EFFECT AN INTERACTION BETWEEN FOREIGN AND DOMESTIC RESOURCES. WITHIN THESE GUIDELINES, IT DOES NOT MATTER MUCH THAT THE PROJECT FALLS IN ONE FIELD OF ECONOMIC ACTIVITY OR ANOTHER.

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TO SECSTATE WASHDC PRIORITY 8932

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FOR CU/NEA BERG

ANSWER TO QUES 3: SINCE WE STARTED TO IMPLEMENT THE OPEN DOOR POLICY TO STIMULATE INVESTMENT AND ENHANCE PRODUCTIVITY, PROJECTS TOTALLING ABOUT 3.5 BILLION DOLLARS WERE APPROVED BY THE INVESTMENT BOARD. OF THESE PROJECTS, 161 HAVE BEEN COMPLETED AND STARTED PRODUCTION. THIS IS NOT TO SAY WE ARE FULLY SATISFIED WITH THE PROGRESS THAT HAS TAKEN PLACE IN THIS AREA. IN FACT WE BELIEVE THAT THERE IS A NEED FOR CONSTANT IMPROVEMENT. WE KNOW THE NEGATIVE IMPACT OF OUR BUREAUCRACY. THAT IS WHY WE LAUNCHED AN ADMINISTRATIVE REFORM A FEW WEEKS AGO TO DISMANTLE THIS BUREAUCRACY AND ESTABLISH A NEW SPIRIT WHICH EXPEDITE THE PROCESS OF DECISION-MAKING AND ELIMINATE MUCH OF THE RED TAPE. TOGETHER WITH THIS, HIGH-POWERED COMMITTEE FOR FOREIGN AND ARAB INVESTMENT, HEADED BY THE PM WAS SET UP IN APRIL 77, TO ENSURE A PROMPT HANDLING OF ALL PROBLEMS RELATED TO INVESTMENT. THAT COMMITTEE INCLUDED THE DEP PREMIER FOR FINANCIAL AND ECONOMIC AFFAIRS, THE MINISTERS OF INDUSTRY, AGRICULTURE AND ECONOMY, TOGETHER WITH TWO PROMINENT MEN OF EXPERIENCE IN THIS FIELD. THE COMMITTEE IS EMPOWERED TO MAKE ANY DECISION WITHOUT HAVING TO REFER TO A HIGHER BODY. SIMULTANEOUSLY, THE GOVT EMBARKED ON A NEW PROGRAM TO REMEDY THE BALANCE OF PAYMENT AND FREE THE BANKING SYSTEM OF ALL HINDRANCES AND RESTRAINTS. ALL SUCH MEASURES ARE DESIGNED TO CREATE AN ATMOSPHERE WHICH WOULD BE CONDUCTIVE TO INVESTMENT.

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ANSWER TO QUEST 4: OUR ROLE IN THE AREA IS ONE OF PIONEERING IN MOST FIELDS OF SOCIO-ECONOMIC DEVELOPMENT. WE STARTED INDUSTRIALIZATION EARLY AND, HENCE, WE HAD A CHANCE TO ACCUMULATE THE TECHNICAL KNOW-HOW AND TRAIN A SKILLED LABOR FORCE. WE ALSO ATTAINED A HIGH DEGREE OF ADMINISTRATIVE AND MANAGERIAL SKILL. THUS, WITH THE CAPITAL AVAILABLE IN THE ARAB WORLD, WE POSSESS ALL THE ESSENTIALS OF AN ADVANCED AND MODERN SYSTEM OF PRODUCTION. WE WOULD LIKE TO SET A SUCCESSFUL AND ATTRACTIVE MODEL FOR DEVELOPMENT IN THE AREA. OTHER ARAB STATES CAN BENEFIT OF OUR EXPERIMENT TO A GREAT EXTENT. THAT IS NOT TO SAY THAT OUR MODEL CAN BE COPIED ELSEWHERE. EACH AND EVERY COUNTRY HAS CONDITIONS WHICH ARE TO A CERTAIN DEGREE DIFFERENT. BUT IT IS DEFINITELY USEFUL TO TAKE A LOOK AT SIMILAR EXPERIMENTS ALL ITS POSITIVE AND NEGATIVE ASPECTS. WE ALSO BELIEVE THAT IT IS OUR DUTY TO ASSIST OUR ARAB BROTHERS IN THEIR DRIVE TO DEVELOP THEIR ECONOMY AT A RATE WHICH IS COMMENSURATE WITH THE CHALLENGE OF OUR AGE. THE GAP BETWEEN DEVELOPED AND DEVELOPING COUNTRIES IN WIDENING RATHER THAN NARROWING. THEREFORE, DEVELOPING COUNTRIES HAVE TO EXERT A DOUBLE EFFORT TO RECTIFY THE SITUATION. WE ARE MOST WILLING TO PLAY AN ACTIVE ROLE IN THIS RESPECT. WE HAVE NO LESS THAN HALF A MILLION EGYPTIAN EXPERTS WORKING IN VARIOUS PARTS OF THE ARAB WORLD CONTRIBUTING TO SOCIOECONOMIC DEVELOPMENT IN ALL FIELDS. AMERICAN BUSINESS CAN CONTRIBUTE GREATLY TO THE PROCESS OF OVERALL DEVELOPMENT IN THE ME. FIRST, THE DOOR IS WIDE OPEN FOR JOINT ARAB-AMERICAN VENTURES IN THE AREAS THAT CAN HAVE AN IMPACT ON INCREASING THE PRODUCTIVITY IN ALMOST EVERY ARAB COUNTRY. TO NAME BUT A FEW FIELDS OF ECONOMIC ACTIVITY SUCH COOPERATION CAN CONCENTRATE ON PETROCHEMICALS, FERTILIZERS, PHARMACEUTICALS ALUMINUM AGROINDUSTRY, APPAREL AND INFRASTRUCTURE. CONDITIONS ARE FAVORABLE FOR THIS KIND OF INVESTMENT

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AND THE LOCAL COMPONENT IS AVAILABLE. AMERICAN BUSINESS CAN ALSO CONTRIBUTE SIGNIFICANTLY TO THE PROCESS OF TRANSFERRING TECHNOLOGY TO THE AREA ON CONDITIONS WHICH ARE ACCEPTABLE AND PROFITABLE TO BOTH PARTIES ALIKE. YOUR TECHNOLOGY IS MOST ADVANCED AND PRIVATE FIRMS ARE INVITED TO SHARE WITH US THIS GREAT RESOURCES TO OUR MUTUAL BENEFIT. AS YOU KNOW, CAPITAL IS NOT MUCH OF A PROBLEM IN MANY PART OF THE ARAB WORLD AND WHAT REMAINS IS TO EFFECT A HAPPY MARRIAGE BETWEEN CAPITAL, TECHNOLOGY, SKILLED LABOR FORCE AND MARKETS.

TO TELL YOU THE TRUTH, WE EXPECTED AMERICAN BUSINESS TO BE MORE PROMPT AND FORTHCOMING IN RESPONDING TO OUR INVITATION TO INVEST IN EGYPT. ITS RESPONSES HAS BEEN A CONSERVATIVE ONE SO FAR DESPITE OUR EFFORT TO REASSURE ALL INVESTORS THAT THEY ARE NOT REALLY ASKING ANY UNDUE RISKS WHILE INVESTING IN OUR COUNTRY. WE SIGNED AN AGREEMENT ON TAXATION WITH THE US. WE ENACTED A LAW TO EXPAND TAX EXEMPTIONS FOR FOREIGN INVESTMENT TO PERIODS THAT RANGE FROM 5 TO 15 YEARS DEPENDING ON THE TYPE OF ACTIVITY. WE HAVE DONE MUCH TO IMPROVE OUR INSTITUTIONS THAT DEAL WITH INVESTMENT. TO BE SURE, THERE WAS A RESPONSE TO THAT ON THE PART OF AMERICAN BUSINESS, BUT I THINK THAT THE RESPONSE WAS NOT PROPORTIONATE WITH THE EXISTING OPPORTUNITIES. THE PROSPECTS FOR OUR ECONOMY ARE VERY GOOD AND WE ARE STEADILY IMPROVING OUR SYSTEM OF PRODUCTION AND DISTRIBUTION. WE ARE OPEN-MINDED ABOUT THAT AND WE SOLICIT ANY CONSTRUCTIVE SUGGESTIONS.

ANSWER TO QUES 5: MULTINATIONAL CORPORATIONS CAN DO BUSINESS IN EGYPT LIKE ANY FOREIGN COMPANIES. THEY ENJOY THE SAME FACILITIES, PRIVILEGES AND EXEMPTIONS. THE LEGAL FRAMEWORK WHICH REGULATES FOREIGN INVESTORS IS LAW 74 AS AMENDED IN APRIL 77. INFO ON THAT LAW IS AVAILABLE ON REQUEST AND CAN BE OBTAINED FROM OUR MISSIONS ABROAD. BEYOND OBEYING THE LAW, WHICH WE ASSUME WILL BE OBSERVED BY FOREIGN INVESTORS, WE EXPECT THEM TO CONTRIBUTE TO THE DEVELOPMENT OF OUR ECONOMY AND IMPROVE THE MACHINE

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OF PRODUCTION. THEIR PROJECTS SHOULD BE GEARED TO INCREASE OUR OUTPUT AND IMPROVE OUR BALANCE OF PAYMENT. WE WOULD LIKE TO SEE MORE JOBS FOR OUR WORKERS. IF INVESTORS EXPERIENCE ANY OBSTACLES, THEY SHOULD KNOW THAT WE ARE FLEXIBLE AND WILLING TO LISTEN TO THEIR COMPLAINTS. THE EGYPTIAN LAW PROTECTS COPY RIGHTS AND INDUSTRIAL PROPERTY RIGHTS. TECHNOLOGY AND REGISTERED TRADE MARKS ARE PROTECTED. WE ARE A LAW ABIDING NATION AND WE FULFILL ALL OUR OBLIGATIONS UNDER INTERNATIONAL LAW. ON THE OTHER HAND, PROVISIONS HAVE BEEN MADE FOR REPATRIATION OF CAPITAL AND PROFITS. ACCORDING TO THE EXISTING PROVISIONS, REPATRIATION COULD TAKE PLACE FIVE YEARS FROM THE DATE THE PROJECT BEGAN. THAT CONDITION COULD BE WAIVED IF THE EXECUTION OF THE PROJECT WAS DELAYED FOR REASONS BEYOND THE WILL OF THE INVESTOR. CAPITAL COULD BE REPATRIATED UPON THE LIQUIDATION OR THE SALE OF THE PROJECT. THE TRANSFER OF CAPITAL OCCURS AT THE HIGHEST LISTED RATE OF EXCHANGE AND ON FIVE ANNUAL INSTALLMENTS. HOWEVER, THE TRANSFER COULD TAKE PLACE AT ONCE IF THE INVESTOR HAS AN AD-EQUATE DEPOSIT IN FOREIGN CURRENCY." (END TEXT).EILTS

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Message Attributes

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